

preface

By Executive Order, Governor Pete Wilson created the Electronic Commerce Advisory Council. He asked us to recommend how government at the local, state, and federal levels should "further engender the development of electronic commerce by clarifying, modifying, or removing existing policies and practices, or implementing new ones." He asked us, representatives of the private sector, to serve on the Council and provide our opinions. This we have done in our report, "If I'm so empowered, why do I need you?" ~ Defining Government's Role in Internet Electronic Commerce."

We are not as concerned about unintended consequences – which may be inescapable for both government and business – as we are about government's innate inability to quickly repeal the laws and regulations that produce them. While businesses wait, market opportunities disappear, along with jobs, current and potential.

Government does have a critical role to play in the e-commerce marketplace – a limited role. Limited not by opposition of the private sector, but by a sober assessment of what government is capable of doing effectively. Foremost, that assessment must take into account that e-commerce includes business being done across borders – the very borders at which a government's powers stop.

Next, consider that the Internet travels at the speed of light, the stock market can change its valuation of an e-commerce business by a billion dollars in one week, and new on-line products that challenge existing laws and regulations, such as Internet-based long distance telephone services, are announced each month. On the other hand, it took more than 18 months to enact the "Internet Tax Freedom Act," that places a 3-year moratorium on discriminatory state and local taxation of the Internet – even though the legislation was so popular that it passed 96-2 in the Senate and unanimously in the House.

Frankly, we don't want a government so agile that it can change its approach overnight, but we do want consumer markets that can – and so do consumers. The key is for everyone to keep in mind government's plodding nature when officials are crafting laws and regulations. We are not as concerned about unintended consequences – which may be inescapable for both government and business – as we are about government's innate inability to quickly repeal the laws and regulations that produce them. While businesses wait, market opportunities disappear, along with jobs, current and potential.

The importance of electronic commerce to California's economy is manifest. While it is impossible to accurately quantify its employment benefits due to its rapid growth and the inherent slowness of economic data collection, there is a broad consensus among industry analysts that the growth in e-commerce will be enormous: From an estimated \$7 billion in 1997 and \$22 billion this year in e-commerce transactions, Forrester Research projects that consumer and business-to-business transactions will total \$350 billion by 2002; Price Waterhouse projects the total to reach \$434 billion that year. To support sales growth, businesses will invest \$23.6 billion by 2002 to upgrade their e-commerce systems, according to ActivMedia. All of these numbers ultimately translate into substantial opportunities for California businesses and their employees – opportunities which can be realized unless, as noted, government at any and all levels wantonly burdens e-commerce.

In this report, we have chosen not to attempt a comprehensive review of all state and federal policies that might affect e-commerce or be affected by it. Rather, we have focused on a few critical issues of pressing, current importance and long-term significance. Specifically, we express our support for industry and governmental efforts that help adult users of the Internet become informed and empowered in their on-line dealings – in areas such as privacy protection and direct marketing – while we generally oppose government placing limits on what those dealings might entail. We call for the non-discriminatory treatment of the Internet by government when it imposes taxes and in other regulatory areas – that is, no discrimination for or against the Internet. We call for state agencies to review existing business regulations to determine if they impede e-commerce and, if they do, to consider alternative approaches, while retaining legitimate protections for consumers.

We also call on state agencies to expand their integration of e-commerce, particularly with interactive applications that will allow Californians to file forms and receive replies via the Internet. And, we call for continued efforts to expand the use of, and access to, information technology throughout California's education system – not as an end in itself, but because technology can provide especially effective tools for teaching, which in turn helps prepare California's students to meet the demands of our increasingly technology-driven economy.

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